
DEVELOPING ENTREPRENEURIAL COMPETENCIES: A STUDENT BUSINESS

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ABSTRACT

Entrepreneurship training requires a non-traditional approach in which students must learn to embrace the challenges of operating in a business environment that favors creativity and risk-taking. Not only must students be exposed to a business education that emphasizes multi-disciplinary skills but they must participate in an “entrepreneurial experience”. This paper describes a student business organization’s project that provides for an “entrepreneurial experience”. The students applied course knowledge, exercised their analytical skills, learned to communicate effectively, utilized their negotiation skills, worked effectively in teams, complied with legal requirements, and utilized creative thought processes to solve business issues. The students experienced new business start-up issues such as writing marketing and business plans, obtaining a business loan, and applying for licenses and permits. The students experienced all aspects of business operations including writing a policy and procedures manual and human resource management manual. Through this “entrepreneurial experience” the students developed entrepreneurial competencies. The manuscript is of special interest to faculty that desire that their students have an actual “entrepreneurial experience”. The manuscript describes in detail the process of starting a student-run business and continued operations of the business.

INTRODUCTION

Entrepreneurship and small business has been acknowledged as a fundamental component of economic growth and health. In 2002, there were 22.9 million small businesses and they provided 75 percent of the net new jobs in the economy. Small business entrepreneurial endeavors represent 99.7 percent of all employers and 97 percent of all U. S. exporters (Small Business Administration, 2006). The recognition of small business entrepreneurial significance couple with widespread

dissatisfaction in traditional business programs has spurred tremendous growth in entrepreneurship courses at all levels of post-secondary education (Solomon, Duggy & Tarabishy, 2002). Katz (2003) states that “ entrepreneurship education has enjoyed more than 50 years of growth, with accelerated growth in the 1990’s, when courses, endowed positions, centers and publications began doubling every 3-5 years.”

Entrepreneurship training requires a non-traditional approach to business education that stresses generalized cross-disciplinary skills. In addition students must learn to enthusiastically embrace the challenges of operating in a business environment that favors creativity and risk-taking. Students must experience entrepreneurship to actually grasp the true nature of entrepreneurship. This article describes a student project that not only encompasses the skills and knowledge acquired in the classroom but also incorporates the “entrepreneurial experience”.

This article describes a student organization’s project which provides for the “entrepreneurial experience”. At the core of the start-up and subsequent operation of the business project resides the over-riding goal of developing entrepreneurial competencies. These business start-up activities and continued operations of the business provide the opportunity for students to develop the various competencies and hone their entrepreneurial skills set. The business project provides educational opportunities for the students to exercise, in a real-life environment, their communications, teamwork, analytical, creative, and negotiation competencies in a multi-disciplinary, process-oriented environment. By its very nature, the start-up and the subsequent operations of a business require the use of skills and knowledge from all functional areas of business, providing the multi-disciplinary nature of the project.

The next section briefly surveys the literature that specifically addresses the changing nature of business education and the need to develop an “entrepreneurial culture”. The following sections contain the project’s learning objectives, descriptions of the applications of the students’ skills to the start-up activities and subsequent operations of the newly created business. The conclusion summarizes of the application of the students’ skills to the start-up and continued operations of their business.

ENTREPRENEURSHIP EDUCATION

“The characteristics of seeking opportunities, taking risks beyond security, and having the tenacity to push an idea through to reality combine into a special perspective that permeates entrepreneurs. An “entrepreneurial perspective” can be developed in individuals (Kuratko, 2004, updated 2006).” Charney & Libecap (2000) found that entrepreneurship graduates are more likely to start new businesses, have annual incomes that are higher, own more assets, and are more satisfied with their jobs.

Entrepreneurship education is distinctive in that it requires a “generalists” approach versus the more traditional specialized business education programs (Hills, 1988). Plaschka & Welsh

(1990) argue that entrepreneurship education should be “geared toward creativity, multi-disciplinary, process-oriented approaches, and theory-based practical application.” Historically, small business management courses were tailored towards post-start-up companies. Hence, traditional approaches focused on knowledge-based courses in areas such as management, accounting and finance. In sharp contrast, entrepreneurship education focuses on new growth ventures (Guglielmino & Klatt, 1993). This approach focuses more on skill-building courses.

The change in emphasis necessitates additional and more broad-based skills or competencies. These competencies include but are not limited to communication (written and oral), creative thinking, leadership, analytical, strategic long-term planning, and teamwork skills. In addition, educators must establish an enterprise culture which fosters entrepreneurial skills (Gibb, 1987, 2002). Students must be able to prosper in the “unstructured and uncertain nature of entrepreneurial environments” (Ronstadt, 1990). Entrepreneurship courses or courses that have entrepreneurial components should develop skill building in the following areas: negotiation, new product development, technological innovation, opportunity recognition, market entry, the legal requirements of new businesses, and the ability to create a linkage from vision to action (McMullan & Long, 1987; Vesper & McMullan, 1987; Johannisson, 1991).

AACSB International - The Association to Advance Collegiate Schools of Business (AACSB) responded to the gap between traditional business programs and entrepreneurship-type education by adding several of the above mentioned skills to the newly added Assurance of Learning (AOL) section of the most recently adopted accrediting standards (AACSB, 2003, revised 1/2006). The Accounting Education Change Commission (AECC) also responded to this gap as evidenced by the publication of Position Statement No. 1: Objectives of Education for Accountants, which contains the above mentioned skills (AECC, 1990). The subsequent offering of financial grants to colleges and universities (Williams, 1992, 1993) for curriculum revision that integrates the entrepreneurial “generalist” skills set provides further evidence of the attempt to bridge the gap between traditional business programs and entrepreneurship education.

Entrepreneurship educators must expand their pedagogies to include new and innovative approaches. Kuratko (2004, updated 2006) states “It has been said that one definition of insanity is doing the same thing and expecting different results. Therefore, the emerging generation of entrepreneurship educators must avoid the paradigm paralysis that has consumed so many business disciplines.” Because entrepreneurship education is outside traditional business disciplines and there is no dominant pedagogical model, curriculum experimentation is utilized. However, there are some common elements that have arisen over the past ten years. Solomon, Duffy, & Tarabishy (2002) state that, “Offering student opportunities to “experience” entrepreneurship and small business management is a theme among many entrepreneurial education programs.” The creation of business (new venture) plans, case studies, and guest speakers are the most employed in-class pedagogical methods. Pedagogies applied outside the classroom include consultation with practicing entrepreneurs, interviews with entrepreneurs, field trips, internships and cooperative education

opportunities with actual entrepreneurs and student entrepreneurship clubs (Gartner & Vesper, 1994; Coe, 2000). Reality-based pedagogies such as student start-ups have been recommended by many educators (Hills, 1988; Porter & McKibbin, 1988; Truell et al., 1998). Students must have substantive hands-on experience working with community ventures to add value to real ventures (McMullan & Long, 1987).

LEARNING OBJECTIVES

Utilizing their entrepreneurial skills, students operationalized their vision into a real-live, operating business. More specifically, the students achieved the following learning objectives:

- ◆ *Students applied knowledge obtained in core business courses to make decisions related to starting the business and subsequently operating the business.*
- ◆ *Students applied analytical skills by utilizing real business information and situations to solve problems and make decisions (e.g. analyzing the geographical environment to determine best operating facility).*
- ◆ *Students communicated (both orally and in writing) a marketing plan, a business plan and a policies and procedures' manual.*
- ◆ *Students orally communicated to and persuaded potential stakeholders (e.g. discussions with University administrators, bank loan officers).*
- ◆ *Students utilized negotiation skills to obtain resources (e.g. loan from bank officers).*
- ◆ *Students effectively worked in teams to achieve results (e.g. writing the marketing and business plans; staffing the business during operating hours).*
- ◆ *Students sought and obtained information about and complied with legal requirements related to their business (e.g. permits and licenses).*
- ◆ *Students utilized creative thought processes to solve business issues (e.g. operating logistics).*

PRELIMINARY START-UP ACTIVITIES

The student organization, Students In Free Enterprise (SIFE), persevered through many of the start-up activities required of any other entrepreneur beginning their own business, with additional activities due to the nature of the business location – a university campus. Students In Free Enterprise (SIFE) is a global non-profit organization that is funded by financial contributions from corporations, entrepreneurs, foundations, government agencies and individuals. SIFE is a partnership between business and higher education that establishes student teams on university campuses. SIFE teams develop projects that address SIFE's five educational topics: market economics, success skills, entrepreneurship, financial literacy, and business ethics. The start-up activities include marketing research, the development of both a marketing plan and a business plan, and finally the approval of university administrators.

Marketing Research

Several SIFE students enrolled in a marketing research course during fall 2004 used the requirements of the course as an opportunity to develop their business project idea. The students conducted marketing research with a focus on providing food products on a business school campus at a mid-sized, southeastern United States university. The business school campus, geographically removed from the main University, provided no venue for food with the exception of snack machines.

Students conducted focus groups with follow-up survey questionnaires to their target market. The target market, of course, was business school faculty, staff, students, and administrators. The results of these efforts revealed the desire for a food service providing hot dogs, bratwursts, chips and drinks. Also derived from the marketing research results were prices the target market would be willing to pay for the food. Support for the idea from university officials, validated with both focus group and survey results, provided the energy to implement their business idea into a reality.

Marketing Plan

Subsequent to the marketing research course, several of these same SIFE students enrolled in the marketing strategic planning course. The course provided the avenue for the SIFE members to incorporate their marketing research into a marketing plan, a prelude to the business plan.

The development and writing of the marketing plan required the young entrepreneurs to perform situational and SWOT analyses. They performed an analysis of the environment, the industry, the firm (i.e. the university's SIFE organization), and the firm's current marketing efforts. Highlights of their analyses included the increase in consumer spending on fast food, the affect of increased oil prices on transportation, the level of students' disposable income, and the limited

competition within walking distance of their campus. The SIFE members also analyzed the local SIFE's organizational structure, mission, objectives, financial resources, strengths and weaknesses to determine whether the business idea was a good fit for the local SIFE organization.

The situational analysis provided the foundation for the SWOT analysis. The SIFE members determined their strengths included SIFE's strong on-campus reputation, strategically located facility, quick service, and lower prices. These strengths were matched with the opportunities to provide good service with a customer focus in a convenient location. Identified weaknesses included limited funds and a new business with limited customer awareness. The limited funds weakness would be mitigated with funds from the small business administration and/or a loan from a local financial institution. The limited customer awareness would be mitigated through advertising in the campus newspaper, local media, and the offerings of coupons.

The marketing plan also included sections describing their planned outcomes, marketing strategy with detailed action plans, controls and evaluations, and financial implications for the plan. They identified the need for customer awareness, profitability, and liquidity. Customer awareness would be determined through annual surveys of the target market. Liquidity and profitability objectives would be measured by their ability to pay their debts as they came due and a positive income, respectively

The marketing strategy contained action plans to meet the aforementioned goals and objectives. During this phase, the SIFE members named the business, "Business Bites," and decided on the menu and prices. In addition, they established their operating hours, the location, and the facility that would most effectively meet the needs of their target market. Business Bites would sell hot dogs, bratwursts, chips and drinks between the hours of 10:00 a.m. and 3:00 p.m. from a kiosk. They would strategically position the kiosk between the two main buildings on the business school campus. Initial promotional materials included flyers, press releases, and video commercials as part of their advertising campaign. Finally, the marketing plan contained Business Bites' preliminary financial projections including sales forecasts, detailed cost estimates, and break-even analysis.

Business Plan

The completed marketing plan became the basis for a comprehensive business plan. The business plan followed the format taught and developed in the university's Small Business Development Center's "How to Write a Business Plan" course offered regularly to small business and aspiring small business owners. In addition to the marketing aspects, the business plan discussed the possible competition, management, operational plans, and pro-forma financial projections for running the business. The completed business plan was presented to the appropriate university administrators, namely the business school dean, university attorney and auxiliary services personnel and the university president and vice presidents. Approval from the administrators cleared the first major hurdle into turning Business Bites into a reality.

Originally, the business plan was based on a need for an initial \$20,000 in capital investment. This included funds for a new concession kiosk, necessary equipment, and a small amount of working capital. Financial projections in the business plan forecasted annual breakeven sales of almost \$29,000.

Additional Start-up Activities

With the plans in place and approval from appropriate university administrators, the SIFE members began implementing their plans. Financing Business Bites became the next major hurdle to opening Business Bites. As with most start-up enterprises, SIFE believed it could actually begin operations with less than the \$20,000 projected in the business plan. SIFE located a good secondhand kiosk. In fact, it was decided that operations could begin with as little as \$10,000. The SIFE members presented their business plan to the loan officers of a local bank. Subsequent to the presentation, a \$7,500 loan was approved (signed by SIFE's president and vice-president) with an agreement to make monthly payments for the duration of the loan. The local SIFE team provided the extra \$2,500.

The SIFE members faced many decision points prior to opening their kiosk windows. With the loan funds, SIFE members purchased the kiosk and delivered it to the physical location. They worked as a team to coordinate efforts with the university plant operations department to have the water, gas and electrical lines run to the kiosk. The university covered the cost of installing these lines. Research provided the basis for the selection of equipment (e.g. refrigerator, stove) and food vendors while maintaining their budget. They also researched and complied with health department requirements for serving food with the follow-up inspection of their facilities. Business Bites carries liability insurance including the required extended liability coverage for food.

Advertising commenced with the distribution of flyers across the university campus, focusing on the business school campus. Faculty received flyers to announce the grand opening in each of their classes. Video commercials appeared on a local television station and press releases went out to the university newspaper. Food was purchased and the windows opened; it was time for the grand opening!

GRAND OPENING & SUBSEQUENT OPERATIONS

In April 2005, Business Bites became a reality. With the local news media and a huge gathering of Business Bites' soon-to-be customer base, the local Chamber of Commerce arrived with the Grand Opening ribbon-cutting scissors. Business Bites officially opened and is still a continuing business.

A paid SIFE-member manager and volunteer SIFE members operate Business Bites, with the SIFE Leadership Team of students serving as an oversight board. The volunteer SIFE members

earn SIFE hours for working at Business Bites. Ultimately, complete responsibility for the overall operations, including but not limited to, staffing, purchasing food, ensuring adequate inventory and supplies, counting the daily cash receipts, and maintaining agreed-upon operating hours resides with the manager. However, as employees begin and work their shift, they check inventory levels, ensure the cleanliness of the facility, and maintain responsibility for cash receipts. The faculty advisor maintains responsibility for cash payments.

The SIFE members that work at Business Bites continue to implement the entrepreneurial skills utilized during the development of the business. Semi-annually, SIFE conducts surveys of their target market to ensure satisfaction and additional needs. This process made Business Bites aware of the desire for additional and different types of food. As a result, the team negotiated a business relationship with a local restaurant to provide Business Bites with chicken salad, tuna salad, and barbecue sandwiches. Additional menu additions identified through the survey process included breakfast with coffee and the expansion of their current operating hours. The large proportion of evening students arriving on the business campus after working have expressed an interest in evening hours.

Business Bites students face varying degrees of risk. Although the students do not put at-risk any of their own personal savings, they did place SIFE funds (\$2,500) at-risk. SIFE funds are raised through various fund-raising projects such as golf tournaments. SIFE members forgo the opportunity to earn personal income from part-time employment in the local community. SIFE students are willing to take this risk given the opportunity to gain a greater return on their time investment and to gain an entrepreneurial experience. The students do place at-risk Business Bites funds invested in adding additional capital such as debit and Flex card technology, coffee equipment, and other capital deemed necessary by consumer surveys for the long-run success of the business.

As an epilogue, Business Bites sustained a net loss of \$2,400 in its first year of operation. However, this loss was the result of writing-off the cost of the start-up activities, including the cost of the equipment. In its second year of operation, Business Bites has become marginally profitable earning approximately six percent rate of return.

LEARNING OUTCOMES

Several opportunities arose during the business start-up and subsequent operating of their business to exercise analytical, communication, negotiation, teamwork and creativity skills. Given the nature of the project (SIFE project and non-classroom) and with the exception of communications' assessments (discussed below), traditional classroom assessments of the outcomes were replaced by the students' abilities to apply their entrepreneurial competencies to achieve the start-up activities and ultimately get a business "up and running."

The young entrepreneurs' analytical and creative skills were tested from the very beginning and at every turn. They faced and made decisions about the contents of (1) their idea presentations

to administrators and bank loan officers, (2) the marketing plan, and (3) the business plan. Marketing research revealed additional issues to be resolved. Surveying to identify the food demands, best times to operate, products' sales prices, administering the survey, obtaining and analyzing the survey results, analyzing their strengths and weakness, and analyzing opportunities and threats all had to be addressed. The overall business plan highlighted the necessity to analyze and make additional decisions related to, among other decisions, the operating facility and location, selecting equipment, food and supplies' vendors. In the final phase, before approaching the bank loan officers, students put their skills to work when determining and assessing their capital needs. Sales and costs forecasts provided the basis for creating projected financial statements, budgets, breakeven point, operating profits, and start-up capital needs.

The students experienced the necessity of good oral communications skills as they approached university administrators for approval of their business idea. This same skill set in addition to their written business plan proved beneficial as they approached bank officials with their loan proposal (written business plan and formal presentation of their business plan). The students experienced less formal oral communications exercises as they approached potential vendors and sought feedback from potential customers. The major written experiences occurred during the writing of the marketing and business plans. Communications opportunities continue to arise as they communicate with vendors, suppliers, and university officials.

Both oral and written communication skills were covered in their marketing research and marketing strategic planning courses. With respect to oral communication skills, both courses stressed the ability to talk in public without overt signs of nervousness or distress, to think on one's feet and to professionally address a question or concern, to clearly communicate with an audience, to engage an audience in a formal presentation, to summarize a large amount of information into a clear and well organized presentation, to use technology to enhance a presentation and to demonstrate professionalism. These skills were discussed in both courses and the students' presentations were graded based on the successful illustration of these skills. A similar skill set was needed in preparing their written business plan including the ability to write clearly, to conduct quality primary and secondary research, to illustrate application of their knowledge, communicate professionally and to be both interesting and well organized in their writing. The creation of an effective written document was covered in both courses through the use of handouts (such as one describing presentation, grammar, and content issues that students needed to address in writing papers), the syllabi, and the requirement to submit written work in several drafts so improvements could be made before the final paper was submitted.

The students found that the entrepreneurial skills required to start the business extend into the operating activities of the business. For example, Business Bite's officers exercise analytical skills and risk-taking as they evaluate inventory and sales to determine re-order points and additional menu items. Staffing also provides an outlet for exercising analytical skills, as Business Bites is staffed with SIFE members whose schedules vary during the day and change each semester. The

manager's tenure spans for a one-year period and the duration of an employee's is at least one semester. As a new manager annually takes over, they run the risk of a business failure or an inability to open due to lack of personnel or new health code regulations. Additional risks includes the inability to meet the demand of requested foods either because they run out of food or their current supply of products do not match "new" demands of the customers.

Current issues facing the officers include: operating hours and whether to service the "nontraditional, working, evening student" population; whether to add alternatives to the cash-only payment method; compliance with new health code regulations and a new health inspector; and developing an accounting information system and internal control structure. Finally, the current management of Business Bites is evaluating the cost and benefits of adding debit and Flex card technology.

CONCLUSIONS

Students demonstrated entrepreneurial competencies throughout the entire process, beginning with the broad vision of operating a business, experiencing the start-up activities and culminating in the day-to-day operating of a productive and profitable business. "Entrepreneurship is more than the mere creation of business...entrepreneurship is an integrated concept that permeates an individual's business in an innovative manner (Kuratko, 2005)." Operating Business Bites provides SIFE students with the opportunity to exercise their entrepreneurial skills in a variety of areas including analytical, communication, negotiation, marketing, human resource management, and operations. The described students' "entrepreneurial experience" provided for a continuing, on-going mechanism to enhance the entrepreneurial skill set in an academic environment.

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